



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

**Date:** 6/16/2006

**GAIN Report Number:** IN6046

## India

### Agricultural Situation

#### Weekly Highlights & Hot Bites, #21

2006

**Approved by:**

Chad Russell

U.S. Embassy, New Delhi

**Prepared by:**

Santosh Kr. Singh, A. Govindan

---

**Report Highlights:**

\*STC floats fresh wheat import tender\*, \*States join hands on Bt cotton issue against Monsanto\*, \*Pricing of Bt cotton should be market driven, says Monsanto\*, \*Bt cottonseed producers face uncertain future\*, \*Pulse import duty abolished\*, \*Papa John's wants bigger slice of India's pizza market\*, \*After early arrival, monsoon weakens\*, \*Indian population to touch 1.4 billion by 2026\*, \*Reference prices for imported vegetable oils reduced\*.

---

Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
New Delhi [IN1]  
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U. S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

DISCLAIMER: Any press summary contained herein does NOT reflect USDA's, the U.S. Embassy's, or any other U.S. government agency's point of view or official policy.

### **STC FLOATS FRESH WHEAT IMPORT TENDER**

On June 12, 2006, the State Trading Corporation of India (STC) issued a tender to import 2.2 million tons of wheat on behalf of the Indian government. Its earlier attempts to attract enough interest from exporters to supply required quantities failed. The new tender is valid until June 20, 2006. India managed to buy only 800,000 tons of wheat under a three million ton tender issued on May 8, 2006, after days of haggling with bidders. This is STC's third wheat import tender this year, the first of which was for 500,000 tons, floated on February 10, 2006, and which was awarded to AWB Ltd. The second tender for 3.0 million tons issued on May 8, 2006, met lukewarm response, with only 800,000 tons awarded (500,000 tons to AWB Ltd. and 300,000 tons of Russian wheat to Agrico Trade & Finance). Bids from six other companies were rejected. Traders have blamed the government's overly stringent import requirement for the lack of interest. The new terms tender were relaxed somewhat to increase participation. (Business Standard, 06/13/06)

*Post Comment:* The tender document's can be found at:

[www.stc.gov.in/Tenders/tendwheat.pdf](http://www.stc.gov.in/Tenders/tendwheat.pdf)

### **STATES JOIN HANDS ON BT COTTON ISSUE AGAINST MONSANTO**

Agricultural Ministers and officials of seven cotton growing states met in Hyderabad on Friday and adopted a unanimous resolution to fight jointly a legal battle against Monsanto-Mahyco Biotech Ltd (MMBL), Monsanto's local joint venture company. The resolution calls for the sale of Bt cotton seeds at Rs. 750 per 450 gm packet as ordered by the Monopolies and Restrictive Trade Practices Commission (MRTPC). The Andhra Pradesh government hosted the meeting that was attended by representatives from Gujarat, Karnataka, Maharashtra, Madhya Pradesh, Tamil Nadu and West Bengal. The ministers from these states have signed a common memorandum of understanding that would join the states together as a party before the MRTPC and the Supreme Court of India in the case filed by MMBL. The participants also appealed to the central (federal) government to speak on their behalf before the Supreme Court. Although the governments of Punjab and Haryana were not present at the meeting, they had sent letters in support of the concentrated efforts proposed by Andhra Pradesh's elected officials. (Source: The Hindu 6/10/06)

*Post Comments:* All the major cotton growing states seem to have joined hands with the Andhra Pradesh government who is leading concentrated efforts against MMBL on pricing of Bt cottonseeds. At the MRTPC, it accused the company of charging exorbitant prices for Bt seeds and got a favorable ruling. Subsequently, the Andhra Pradesh government issued an order that Bt cottonseeds must be sold at prices below Rs. 750 per 450 gm packet. However, MMBL has appealed to the Supreme Court of India against the MRTPC ruling and Andhra Pradesh government order. The next hearing before the Supreme Court is scheduled for July 5.

### **PRICING OF BT COTTON SHOULD BE MARKET DRIVEN, SAYS MONSANTO**

The Managing Director of Monsanto said that pricing of Monsanto's Bt cottonseed should be market driven and any state intervention would go against the interest of farmers. The company was open for discussion and an amicable resolution of the issue. Justifying the domestic pricing, he argued that it was lower than in China. Also the two agronomic practices in the two countries were completely different, as China requires cultivation of 18 times more seed per acre compared to India. (Source: The Hindu 6/10/06)

#### **Bt COTTONSEED PRODUCERS FACE UNCERTAIN FUTURE**

With the pricing of Bt cottonseeds caught in a legal tangle, the Monsanto licensee companies who have acquired the Bt technology are facing an uncertain future. However, sales have jumped significantly. A packet of genetically modified cottonseed contains 120 gm of non Bt seed, and the total cost of the hybrid seed with the Bt trait comes out to Rs. 570 per packet. This leaves a balance of only Rs. 180 from the Rs. 750 price per packet to cover all the interest costs of the trait value. (Source: Business Line 6/10/06)

#### **PULSE IMPORT DUTY ABOLISHED**

In a move to contain the rising prices of pulses (beans, peas, and lentils) in the domestic market, on June 8, 2006, the Indian government decided to exempt pulse imports from the currently applicable 10 percent import duty. The government notification is available at: <http://www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k6/cs57-2k6.htm>

*Post Comment:* Pulses are a major source of protein in the Indian diet. Retail pulse prices have risen by 50 to 60 percent in the last three months, due to stagnant production, increasing consumption, and speculative activities by traders. Although pulses are imported mostly from Myanmar, Canada, Australia, France, and Turkey (around 1.6 million tons valued at \$520 million), imports from the United States (mostly dry peas) have also shown a significant increase last year, reaching a record \$10.8 million in CY 2005. Imports from the United States during the first four months of CY 2006 are up 735% to \$4.5 million.

#### **PAPA JOHN'S WANTS BIGGER SLICE OF INDIA'S PIZZA MARKET**

Papa John's international, a US chain, sees India as one of the six priority markets. Rising incomes and a growing culture of eating out are helping fuel India's \$65 million pizza market to 20 percent annual growth. The Chief Executive of the company said that his goal is to establish 500 stores in Indian during the next ten years. The company has already appointed a franchisee for North India, and talks are ongoing for franchisees for south and western regions of the country. (Source: Business Standard 6/15/06)

#### **AFTER EARLY ARRIVAL, MONSOON WEAKENS**

The exhilaration over the early arrival of monsoon has been tempered with worries about deficient rains. Farmers have been asked to defer sowing until the monsoon picks up again, hopefully after June 19. "The monsoon has weakened in the second phase after an early start. We have cautioned Agriculture Ministry to wait until the [Monsoon] current picks up again. Farmers will save seed without losing yield if sowing is deferred," said an official of the National Center for Medium Range Weather Forecasting. (Pioneer, 06/14/06)

*Post Comment:* Although the monsoon hit the southern Kerala coast on May 26, its progress has stalled since June 6. A further delay in the progress of monsoon could adversely affect planting of fall and early winter harvested crops like rice, coarse cereals, soybeans, peanut, and cotton.

### Indian Population to touch 1.4 billion by 2026

By 2026, India's population is projected to reach 1.4 billion, according to the report of the technical group of the National Commission on Population. As a consequence, the density of population will increase from 313 to 426 persons per sq. km. The good news is that the working age group (15 to 59 years) is expected to rise from 57.7 percent in 2001 to 64.3 percent in 2026. The youth population (15 to 24 years) is expected to increase from 195 million in 2001 to 240 million in 2011 and then decrease to 224 million in 2026. (Business Line, 06/15/06)

### REFERENCE PRICES FOR IMPORTED VEGETABLE OILS REDUCED

On June 15, 2006, the Government of India lowered the tariff value (the reference price for tariff calculations) for the palm oil group by a uniform \$6 per ton, and for crude degummed soybean oil by \$17 per ton. The revised tariff values are in the following table:

Edible oil	Tariff Value (\$/Ton) Effective 05/31/06	Tariff Value (\$/Ton) Effective 06/15/06
Crude Palm Oil	430	424
Crude Palmolein	452	446
RBD Palm Oil	445	439
RBD Palmolein	455	449
Other Palm Oil	438	432
Other Palmolein	454	448
Crude Degummed Soybean Oil	559	542

Source: [www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k6/csnt51-2k6.htm](http://www.cbec.gov.in/cae/customs/cs-act/notifications/notfns-2k6/csnt51-2k6.htm)

### RECENT REPORTS SUBMITTED BY FAS/NEW DELHI

REPORT #	SUBJECT	DATE SUBMITTED
IN6045	Weekly Highlights & Hot Bites, #20	06/02/06
IN6047	Bio-Fuel Production Report – INDIA	06/16/06

### WE ARE ON THE NET

We are available at [http://india.usembassy.gov/foreign\\_agricultural\\_service.html](http://india.usembassy.gov/foreign_agricultural_service.html) or visit our headquarter's home page at [www.fas.usda.gov](http://www.fas.usda.gov) for a complete selection of FAS worldwide agricultural reporting.

### FAS/NEWDELHI EMAIL

To reach FAS/New Delhi, email us at [Agnewdelhi@usda.gov](mailto:Agnewdelhi@usda.gov).